Kazakhstan Potash Corporation Limited

ABN 57 143 441 285

Interim Report

30 June 2019

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the "Consolidated Entity") consisting of Kazakhstan Potash Corporation Limited (referred to hereafter as the "Company" or "Parent entity" or "KPC") and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors
The following persons were directors of Kazakhstan Potash Corporation Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Madam Freada Cheung	
Mr. Senlin Liu	ceased from 10 December 2019
Mr. Terence Wong	
Mr. Marco Marcou	ceased from 31 May 2019
Mr. Grant Thomas	ceased from 8 May 2019
Mr. Kaihua Ge	
Mr. Junheng Li	appointed on 14 March 2019
Mr. Xiaokang Lyu	ceased from 14 January 2019
Ms. Jaylin Xiaorong Mao	appointed on 14 January 2019, ceased from 10 December 2019
Mr. Edward Wen	ceased from 14 March 2019
Ms. Jingjing Wang	appointed on 25 March 2019, ceased from 9 September 2019
Mr. Yu Sun	appointed on 5 July 2019, ceased from 30 December 2019
Mr. Dong Xie	appointed on 18 July 2019, ceased from 8 November 2019
Mr. Yuanzhi Jiang	appointed on 12 November 2019
Mr. Hao Chen	appointed on 28 November 2019
Mr. Andrew Chan	appointed on 1 March 2020

Principal activities
The principal activities of the Consolidated Entity during the financial half-year consisted of the identification, acquisition, exploration and development of potash resources in the Republic of Kazakhstan to supply fertilizer products to the growing Chinese and the domestic Kazakhstan markets.

Results of operations
The loss for the Consolidated Entity attributable to the owners of the Company after providing for income tax and non-controlling interest amounted to $5,519,987 (30 June 2018: loss of $44,878,164).

Review of Operations
Zhilyanskoye Project
KPC, through Batys Kali LLP, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Zhilyanskoye potash deposit. The SSRUC is valid for 48 years since its initial granting on 11 December 2008.

The Zhilyanskoye Project is located approximately 5-10 km south west of the city of Aktobe in the north western region of Kazakhstan. Power (gas and electricity), water, transportation (rail and road) as well as labour are all available within 10 km of the project giving the Company a significant infrastructure advantage.

Review of operations (Continued)

Zhilyanskoye Project (Continued)
The deposit has JORC 2012 compliant Mineral Resources, estimated by SRK Consulting (Kazakhstan) Limited as of 6 August 2013 for the sylvinite and polyhalite mineralization.

- A total of 119.8 million metric tonnes (Mt) of Mineral Resources containing sylvinite mineralization at the cut-off of 10% K2O:
  - Indicated Mineral Resources of 66.7 Mt grading 19.24% K2O; and
  - Inferred Mineral Resources of 55.2 Mt grading 17.86% K2O.

- A total of 987.7 Mt of Mineral Resources containing polyhalite mineralization at the cut-off grade of 5% K2O:
  - Indicated Mineral Resources of 769.4 Mt grading 8.1% K2O, and
  - Inferred Mineral Resources of 214.3 Mt grading 7.32% K2O.

(Source Kazakhstan Potash Corporation Limited Prospectus 28 January 2014).

SSRUC related compliance and associated activities continue on the project during the past year.

Chelkar Project
KPC, through Batys Kali LLP, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Chelkar potash and magnesium deposit. The SSRUC is valid for 51 years since its initial granting on 11 December 2008.

The Chelkar Project is located approximately 100 km south of the city of Uralsk in north western Kazakhstan. Previous work on the project by geological teams from the former Soviet Union, and recent drilling by the Company's local subsidiary Batys Kali LLP has identified a number of occurrences of sylvinite and carnallitite mineralization in the area.

SSRUC related compliance and associated activities continue on the project during the past year.

Satimola Project
On 24 October 2018, the Board of KPC announced that it made a General Offer for Satimola Limited ("Satimola"). Satimola, through its wholly-owned entity, Satbor LLP ("Satbor"), holds the Satimola potash deposit in the Republic of Kazakhstan.

On 14 November 2018, KPC announced that the minimum threshold it set in relation to the General Offer as announced on 24 October 2018, for Satimola Shareholders, Converting Note Holders and Creditors had been achieved.

The Satimola deposit is located in the West Kazakhstan Province, 220 km north of the Ural River port of Atyrau near the Caspian Sea and 70 km north of the town of Inderbor. It is currently understood to be one of the largest in Kazakhstan, containing JORC-compliant Indicated and Inferred potash Resources of 6 billion tonnes grading 15.5% K_2O (Table 1).

Table 1. Satimola potash Resources at 10% K_2O cut-off

Mineral Resources (JORC)	Tonnes (million)	Grade (% K_2O)
Indicated	3,100	16.2
Inferred	2,900	17.4
Total	6,000	15.5

Note: KPC ASX release 1.12.2014, Satimola Independent Geological Report produced by Tetra Tech, December 2014; The Resources quoted have an effective date of 28th February 2011 and key assumptions are detailed in the Tetra Tech IGR, December 2014.

Review of operations (Continued)

List of Tenements

Project	Location	Tenement/ Contract number	Interest at beginning of the period (%)	Interest at end of the period (%)
Zhilyanskoye	Aktobe, Kazakhstan	2891	95	95
Chelkarskoye (Chelkar)	Uralsk, Kazakhstan	2889	95	95
Satimola	Inderbor, Kazakhstan	1391	74	74

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Madam Freada Cheung
Chairperson and Managing Director

13 May 2020

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF KAZAKHSTAN POTASH CORPORATION LIMITED

As lead auditor for the review of Kazakhstan Potash Corporation Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kazakhstan Potash Corporation Limited and the entities it controlled during the period.

James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 13 May 2020

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General information

The interim financial report covers Kazakhstan Potash Corporation Limited as a Consolidated Entity consisting of Kazakhstan Potash Corporation Limited and the entities it controlled. The interim financial report is presented in Australian dollars, which is Kazakhstan Potash Corporation Limited's functional and presentation currency.

The interim financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Kazakhstan Potash Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 27, 101 Collins Street, Melbourne 3000 VIC.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the interim financial report.

The interim financial report was authorised for issue, in accordance with a resolution of directors, on 13 May 2020. The directors have the power to amend and reissue the interim financial report.

Kazakhstan Potash Corporation Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2019

	Note	**30 June 2019**	30 June 2018
		$	*$*
Revenue from continuing operations	*3*	**12,538**	10,617
Share of results of joint venture	*4*	**71,562**	(108,078)
Expenses			
Employee expenses		**(1,024,880)**	(682,730)
Share-based payments		**-**	(2,266,300)
Depreciation and amortization expenses		**(28,355)**	(49,847)
Consulting fees		**-**	(167,629)
Legal and other professional fees		**(1,875,728)**	(199,499)
Occupancy expenses		**(209,958)**	(329,532)
Finance costs		**(2,953,700)**	(2,316,461)
Other expenses		**(265,481)**	(84,920)
Impairment of assets		**-**	(35,508,694)
Exploration expenditure		**-**	(3,252,997)
Foreign exchange gain		**878,133**	13,314
Loss before income tax from continuing operations		**(5,395,869)**	(44,942,756)
Income tax		**-**	-
Loss after income tax for the half-year		**(5,395,869)**	(44,942,756)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(241,905)**	577,921
Share of other comprehensive income of joint venture	*4*	**(132,427)**	153,946
Total comprehensive income for the half-year		**(5,770,201)**	(44,210,889)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2019

	Note	**30 June 2019**	30 June 2018
		$	*$*
Loss for the half-year is attributable to:			
Owners of the Company		**(5,519,987)**	(44,878,164)
Non-controlling interest		**124,118**	(64,592)
		(5,395,869)	(44,942,756)
Total comprehensive income for the half-year is attributable to:			
Owners of the Company		**(5,880,397)**	(44,114,668)
Non-controlling interest		**110,196**	(96,221)
		(5,770,201)	(44,210,889)
Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited		**Cents**	Cents
Basic loss per share		**(0.38)**	(4.22)
Diluted loss per share		**(0.38)**	(4.22)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Kazakhstan Potash Corporation Limited

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	**30 June 2019**	31 December 2018
		$	*$*
ASSETS			
Current assets			
Cash and cash equivalents		**148,072**	158,482
Other assets		**583,325**	565,845
Total current assets		**731,397**	724,327
Non-current assets			
Financial assets		**361,736**	282,985
Intangible assets		**224**	278
Investment in joint venture	*4*	**1,164,907**	1,190,360
Plant and equipment		**4,230,355**	4,276,673
Exploration and evaluation assets	*5*	**83,702,160**	81,445,240
Total non-current assets		**89,459,382**	87,195,536
Total assets		**90,190,779**	87,919,863
LIABILITIES			
Current liabilities			
Accrued expenses and other payables		**6,519,907**	4,350,649
Financial liabilities	*6*	**46,546,684**	41,698,171
Total current liabilities		**53,066,591**	46,048,820
Current liabilities			
Deferred tax liabilities		**8,398,869**	8,398,869
Provisions		**6,152,096**	6,928,750
Total non-current liabilities		**14,550,965**	15,327,619
Total liabilities		**67,617,556**	61,376,439
NET ASSETS		**22,573,223**	26,543,424
Equity			
Issued capital	*7*	**220,518,231**	218,718,231
Reserves		**2,089,017**	2,449,427
Accumulated losses		**(200,254,438)**	(194,734,451)
Equity attributable to the owners of Kazakhstan Potash Corporation Limited		**22,352,810**	26,433,207
Non-controlling interests		**220,413**	110,217
Total equity		**22,573,223**	26,543,424

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Kazakhstan Potash Corporation Limited

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 January 2018	208,385,358	4,498,252	(146,240,938)	(1,120,550)	65,522,122
Loss after income tax expense for the half-year	-	-	(44,878,164)	(64,592)	(44,942,756)
Other comprehensive income for the half-year, net of tax	-	763,496	-	(31,629)	731,867
Total comprehensive income for the half-year	-	763,496	(44,878,164)	(96,221)	(44,210,889)
Transactions with owners in their capacity as owners:					
Expired option/ convertible note	-	(790,500)	790,500	-	-
Share placement	490,360	-	-	-	490,360
Shares issued as loan repayment	1,049,880	-	-	-	1,049,880
Shares issued in lieu of payment of services	95,000	-	-	-	95,000
Shares issued in lieu of cash remuneration of directors	764,564	-	-	-	764,564
Shares issued to directors as rewards & incentives	1,906,500	-	-	-	1,906,500
Shares issued in lieu of cash remuneration of senior employees	140,626	-	-	-	140,626
Shares issued to senior employees as rewards & incentives	31,000	-	-	-	31,000
Shares issued as consideration for potential acquisition of MCC Resources SARLU	1,900,000	-	-	-	1,900,000
Capital raising cost	(32,410)	-	-	-	(32,410)
Balance at 30 June 2018	214,730,878	4,471,248	(190,328,602)	(1,216,771)	27,656,753

Kazakhstan Potash Corporation Limited

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interests $	Total $
Balance at 1 January 2019	**218,718,231**	**2,449,427**	**(194,734,451)**	**110,217**	**26,543,424**
Loss after income tax for the half-year	**-**	**-**	**(5,519,987)**	**124,118**	**(5,395,869)**
Other comprehensive income for the half-year, net of tax	**-**	**(360,410)**	**-**	**(13,922)**	**(374,332)**
Total comprehensive income for the half-year		**(360,410)**	**(5,519,987)**	**110,196**	**(5,770,201)**
Transactions with owners in their capacity as owners					
Shares issued in lieu of payment for services	**1,600,000**	**-**	**-**	**-**	**1,600,000**
Shares issued to senior employees as rewards & incentives	**200,000**	**-**	**-**	**-**	**200,000**
Balance as at 30 June 2019	**220,518,231**	**2,089,017**	**(200,254,438)**	**220,413**	**22,573,223**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Kazakhstan Potash Corporation Limited

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2019

	Note	30 June 2019 *$*	30 June 2018 *$*
Cash flows from operating activities			
Interest and other receipts		**125,124**	**1,182**
Payments paid to suppliers and employees		**(1,656,291)**	**(1,214,587)**
Net cash used in operating activities		**(1,531,167)**	**(1,213,405)**
Cash flows from investing activities			
Purchase of plant and equipment		**(55,500)**	**-**
Payment for exploration and expenditure assets		**(7,261)**	**(95,389)**
Payment for Satimola acquisition		**(988,928)**	**-**
Loans repayment from other parties		**-**	**276,040**
Loans advanced to other parties		**-**	**(757,048)**
Net cash used in investing activities		**(1,051,689)**	**(576,397)**
Cash flows from financing activities			
Proceeds from issue of shares		**-**	**490,360**
Share issue transaction cost		**-**	**(32,410)**
Proceeds from borrowings		**3,096,436**	**1,489,103**
Repayment of borrowings		**(525,431)**	**(610,758)**
Net cash provided by financing activities		**2,571,005**	**1,336,295**
Net decrease in cash and cash equivalents		**(11,851)**	**(453,507)**
Cash and cash equivalents at the beginning of the financial period		**158,482**	**647,910**
Effects of exchange rate changes on cash		**1,440**	**33,155**
Cash and cash equivalents at the end of the reporting period		**148,072**	**227,558**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation:
This consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Report and *Corporation Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Kazakhstan Potash Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except the adoption of new and amended standards as set out below.

New and amended standards adopted by the group
The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of AASB 16 Leases did not have any impact as the leases in place at 1st January 2019 was terminated in January 2019 and new lease entered in 2019.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern
For the period ended 30 June 2019, the Consolidated Entity incurred a loss after income tax of $5,395,869 from continuing operations and had net cash outflow from operating activities of $1,531,167. At 30 June 2019, the Consolidated Entity had cash and cash equivalents of $148,072 and a net current liability position of $52,335,194. Management has prepared cash flow projections for a period of 15 months from the date of approval of the interim financial report inclusive of funding initiatives that demonstrate the Consolidated Entity, having reached agreement in respect to convertible note funding rollover and subject to success in respect of other cash raising initiatives, will have sufficient cash to meet its obligations over this period.

The long term ability of the Consolidated Entity to continue as a going concern is dependent upon the successful implementation of exploration programs and feasibility studies and potential mine development activities on the potash projects in Kazakhstan. In order to achieve its ambitions for its projects the Consolidated Entity will be required to raise additional funds through debt and equity. The existence of these conditions indicates a material uncertainty that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern.

Notwithstanding the above, the directors have prepared the interim financial statements on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities through the normal course of business for the following reasons:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (Continued)

- The consolidated statement of financial position at 30 June 2019 includes current financial liabilities of $46,546,684. The majority of this balance relates to the following:
  - $30 million convertible note facility that matured on 25 November 2019. Agreement has been reached with the holder of the convertible notes to roll over the existing convertible note facility and subscribe for, or procure that its nominee subscribes for, 30 million $1 convertible notes that mature 4 years from the issue date. The issue of the replacement convertible notes is subject to shareholder approval;
  - KPC and City Winner Holdings (CWH an entity related to Madam Freada Cheung) have entered into final negotiations in relation to the assignment of the CWH debt in Satimola of US$5 million to KPC, and for KPC to convert the assigned debt to the terms of a proposed issue of secured convertible notes (Convertible Notes) to CWH. All parties are confident that an agreement will be reached. Any agreement on this matter is subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course; and
  - USD 5.029 million owing to Asia Pacific Resources Development Investment Limited (APRDIL) by Satimola Limited via a loan note certificate. An understanding has been reached through discussions between KPC and the principal of APRDIL where the outstanding balance will be repaid either at the commencement of production at the Satimola project or at the engagement of a development partner for the project, whichever occurs sooner. There is a risk that APRDIL may request payment prior to production commencement or development partner engagement, and in this circumstance, if it arises, KPC will look to arrange for payment of the balance of the Loan Note Certificate. The APRDIL representative on the Satimola Limited's board continues in the role with the KPC appointed directors and the APRDIL principal has been a major shareholder of KPC since 2011.
  - On 1 May 2019, Asia New Energy Ltd entered into an advance agreement with the Company. Asia New Energy Ltd is a related party with Madam Freada Cheung. The advance amounting to USD764,840 was made on 15 May 2019. Interest rate charges at 12% per annum and repayable within one month.
  - 12 March 2019, Mr. Senlin Liu, a former Director and Chairman of the Board entered into an advance agreement with the Company. The advance amounting to $1,800,000 was made on 12 March 2019. Interest rate charges at 12% per annum and repayable within three months.
- To provide for immediate cash requirements, the Consolidated Entity has received an on-going financial support letter dated 1 February 2020 from the Managing Director and Chairperson of the Consolidated Entity, Madam Freada Cheung. The financial support is for a period of at least 18 months from the date of the letter.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (Continued)

- The directors will continue to source additional funding, through either debt or equity as is considered appropriate over the next 15 months from the date of this report to enable the Consolidated Entity to continue the exploration and development process. The specific funding initiatives that are already in place include:
    - A Convertible Note with CWSI Group Limited to the value of $6.5 million which has been drawn down against for working capital purposes and completion of the Satimola transaction;
    - A Convertible Note with Harvest Leader International Limited to the value of $3.5 million;
    - Proceeds from the sale of its joint venture interests in Chongqing Bright Road Industrial Co Ltd of $1.5 million;
    - Off-market transfer of the Société MCC Resource SARL KPC's shares that has been agreed on KPC terms and is being arranged at $0.02/KPC share with proceeds to KPC;
    - Following the Company's 2020 Annual General Meeting, the placement mandate of the Company will be refreshed allowing the Company to place further Equity Securities which will be applied as required during the period to meet the obligations of the Company. Discussions with a number of financiers and potential development partners who have been identified as sources of either placement or convertible note funding have been on-going since the beginning of the year and have been very positive to date.
- The Company is budgeting to retire all short-term debt.

COVID-19 Impact
The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact the planned development activities for the Kazakhstan Projects. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present.

If the Consolidated Entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the interim financial report. The interim report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

2. OPERATING SEGMENTS

The Consolidated Entity operated predominately as an explorer with the view to identify attractive mineral deposits of sufficient grade and size to provide sustainable returns to shareholders. Following the completion of the acquisition of the Kazakhstan Potash Projects, the Consolidated Entity operates mainly in Kazakhstan, via subsidiaries in Hong Kong and China.

The Chief Operating Decision Maker ('CODM') reviews operating performance of the consolidated entity based on management reports that are prepared. At regular intervals, the CODM is provided management information at a consolidated entity level for the consolidated entity's cash position, and reviews geological results and other qualitative measures as a basis for decision making. On this basis, no segment information is included in these financial statements.

3. REVENUE

	Consolidated	
	30 June 2019	30 June 2018
	$	$
Interest income	**12,538**	5,617
Gains from issue of shares	**-**	5,000
Total revenue	**12,538**	10,617

4. INVESTMENT IN JOINT VENTURE

Interests in a joint venture is accounted for using the equity method of accounting. Information relating to the joint venture that is material to the Consolidated Entity is set out below:

Reconciliation of the consolidated entity's carrying amount	**30 June 2019**
	$
Opening carrying amount	**1,190,360**
Foreign exchange difference	**35,412**
Share of result after income tax	**71,562**
Share of other comprehensive income	**(132,427)**
Share of total comprehensive income	**(60,865)**
Closing carrying amount	**1,164,907**

5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	30 June 2019	31 December 2018
	$	$
Exploration and evaluation assets	**83,702,160**	81,445,240
Reconciliation of amount:		
Opening balance	**81,445,240**	99,760,724
Acquisition of Satimola	**-**	25,329,429
Capitalised expenditure	**2,135,465**	89,298
Impairment	**-**	(44,047,619)
Foreign exchange difference	**121,455**	313,408
Closing balance	**83,702,160**	81,445,240

During the half-year the Company conducted an impairment assessment of its mineral assets in Kazakhstan and formed the view that the Chelkar and Zhilyanskoye assets had indicators of impairment as assessed against the requirements of *AASB 6 Exploration and Evaluation of Mineral Resources* specifically paragraph 20(a) and 20(b). In respect of each paragraph the directors comment as follows:

a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)

I. Zhilyanskoye – The SSRUC continues and is valid for 48 years since its initial granting on 11 December 2008 and has moved from the exploration stage and is in discussions with the Ministry of Investment and Infrastructure (MII) and the Aktobe region government in relation to conducting a solution mining trial. Advice from the MII on solution mining which is not preferred has now been received by the Company. The Company will now look to develop a traditional shaft mining approach in conjunction with further discussions with the MII.

II. Chelkar – The SSRUC continues and is valid for 51 years since its initial granting on 11 December 2008. The exploration period has expired. Renewal of an extension of the exploration period has been provided to the MII, however additional discussion continues with the MII in relation to extending the exploration period further to encompass 2020.

III. Satimola – The SSRUC continues and is valid for 23 years since its initial granting on 19 April 2004 and KPC is reviewing the current development program in conjunction with the MII, which is expected to result in an agreed approach during the first half of 2020.

The Sub Soil Use Contracts (SSUC) for all the three projects (Zhilyanskoye, Chelkar and Satimola) continue to be current as verified through the government department responsible for their management, the Ministry of Investment and Infrastructure's (MII) on-line site. Under the terms of each SSUC there are specified stages and times for exploration, development (transition to mining) and mining of each site, which can be varied between the parties through mutual agreement via an Addendum to the specific SSUC. For various reasons, the Company has not completed some specified stages within the allocated time which creates a risk to the on-going status and currency of the SSUC's for the project(s). The directors confirmed there is no correspondence that has been received from the MII contrary to the stated situation. Furthermore, the Company has not received any notice from the MII regarding non-fulfillment of its obligations and continues to engage with the MII in relation to the development plans of all three projects in Kazakhstan. There is no certainty that the MII will continue the engagement process with the Company in relation to its development plans and SSUC obligations and there is a risk that the MII may form a view contrary to the continued currency for either, one, or all of the SSUCs, however as at the date of this report there is no such indication and hence the directors are of the view that tenure remains intact for all of the SSUCs.

b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

I. Zhilyanskoye – Indicator of impairment. Budgeted expenditure has been at levels necessary to maintain the good standing of the SSRUC as opposed to moving into the development stage. However, after a long consultation period with the MII in relation to a proposed solution mining trial, the Company will move to a traditional shaft mining approach. The Company in conjunction with the Ministry of Industry and Development (MID) is now updating the development plan and budget accordingly.

II. Chelkar – Indicator of impairment. The Company has begun planning and revised implementation of the final stage exploration program. Discussions with the MII continue in relation to extending the exploration period further to encompass 2020.

III. Satimola – Indicator of impairment. Work is underway to review the current development program in conjunction with the MII which is expected to result in an agreed approach during the first half of 2020.

5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In respect of the Company's plans for the 3 projects the Company has failed to significantly progress the projects due to a lack of funding being available. The current plans for the projects all require significant further funding. The Company has identified potential sources for such funding but the lengthy period that has passed since significant progress has been made on the projects and the uncertainty around the ability to source funds to undertake planned activities are considered indicators of impairment.

When impairment indicators are present, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs of disposal and the asset's value in use. In order to calculate the recoverable amount, the Company had in March 2018, August 2018 and January 2020, commissioned CSA Global to prepare independent valuations of the mineral assets held by the Company in Kazakhstan.

Impairment Test

CSA Global has determined that the appropriate valuation approach for the 3 projects is the comparative transaction valuation method. This approach looks at prior transactions for the property and recent arm's length transactions for comparable properties. This methodology looks at a time frame of the five years prior to the valuation date. It provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares. These estimates are considered level 2 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are based on observable market data. KPC considered the input and the valuation approach to be consistent with the approach taken by market participants.

August 2018 Valuation Methodology	Project	Mineral Asset	Ownership	Area (km sq)	Valuation (A$M)		
					Low	Preferred	High
Comparative transaction valuation method	Zhilyanskoye Mineral Resource	Pre-Development	95%	88	32.0	41.3	50.5
	Zhilyanskoye Exploration Area	Advance Exploration Area			0.7	1.3	2.0
	Subtotal – Zhilyanskoye			**88**	**32.7**	**42.6**	**52.5**
	Chelkar	Advance Exploration Area	95%	779	8.0	13.6	19.2
	Total			**867**	**40.7**	**56.2**	**71.7**

5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Impairment Test (Continued)

February 2020 Valuation Methodology	Project	Mineral Asset	Ownership	Area (km sq)	Valuation (A$M)		
					Low	Preferred	High
Comparative transaction valuation method	Zhilyanskoye Mineral Resource	Pre-Development	95%	88	41.8	52.2	52.7
	Zhilyanskoye Exploration Area	Advance Exploration Area			0.7	1.3	2.0
	Subtotal – Zhilyanskoye			**88**	**42.5**	**53.5**	**54.7**
	Satimola Mineral Resource	Advance Exploration Area	96% (30 June 2019: 74%)	246	56.4	70.3	84.7
	Chelkar	Advance Exploration Area	95%	779	8.0	13.6	19.2
	Total			**1,113**	**106.9**	**137.4**	**158.6**

Carrying value of exploration and evaluation assets

For the period ended 31 December 2018 the Company took guidance from the CSA Global independent valuation as at 30 June 2018 (commissioned in August 2018) and impaired the aggregate asset value of Zhilyanskoye and Chelkar by $44 million to $56.2 million (Zhilyanskoye: $42.6 million and Chelkar: $13.6 million). In relation to the Satimola asset, a CSA Global independent valuation report commissioned in March 2018, prior to the acquisition indicated a fair value of $73.6 million.

After taking further guidance from the recent 2020 CSA Global independent valuation in conjunction with the 2018 valuations, the Company has affirmed the carrying value of the respective mineral assets at 30 June 2019 whereby in relation to the Zhilyanskoye asset's the carrying value remains at $42.6 million which is unchanged from the August 2018 valuation, the Chelkar asset's carrying value remains at $13.6 million which is also unchanged from the August 2018 valuation, and in relation to the Satimola asset, the March 2018 and February 2020 valuations were significantly higher than its carrying value of $26.3 million. Based on this assessment, no impairment to the assets is required at 30 June 2019.

6. CURRENT LIABILITIES – FINANCIAL LIABILITIES

	Consolidated	
	30 June 2019	31 December 2018
	$	$
Consideration payable for acquisition of Satimola (i)	**1,672,251**	2,390,965
Face value of convertible note (ii)	**30,000,000**	30,000,000
Discount on convertible note (ii)	**(2,595,224)**	(5,465,937)
Loan from Asia New Energy Ltd (iii)	**988,928**	-
Shareholder's loan (iv)	**1,841,485**	205,982
Borrowings	**14,639,244**	14,567,161
	46,546,684	41,698,171

(i) The second tranche of approximately $0.72 million has been paid in May 2019. The remaining balance will be paid in 2020.

(ii) The Convertible Notes matured on 25 November 2019. On 5 December 2019, revised terms in relation to the CAR Fund $30 million Convertible Notes were agreed between the CAR Fund and KPC, with a Term Sheet executed by both parties. Under the terms of the new agreement the CAR Fund, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the new Convertible Note for a four-year period, the CAR Fund (or its nominee) will be issued 1.5 billion fully paid ordinary shares in the Company. The agreement is subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course.

(iii) On 1 May 2019, Asia New Energy Ltd entered into an advance agreement with the Company. Asia New Energy Ltd is a related party with Madam Freada Cheung. Interest is charged at 12% per annum and repayable within one month. Subsequent to the reporting date, the loan has been repaid in full.

(iv) On 12 March 2019, Mr. Senlin Liu, a former Director and Chairman of the Board entered into an advance agreement with the Company. The advance amounting to $1,800,000 was made on 12 March 2019. Interest is charged at 12% per annum and repayable within three months. The loan is overdue, is continuing to accrue interest and its repayment will be negotiated with the lender.

7. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	30 June 2019 Shares	**31 December 2018 Shares**	**30 June 2019 $**	**31 December2018 $**
Ordinary shares - fully paid	1,499,210,993	1,409,210,993	151,614,231	149,814,231
Treasury shares (i)	120,000,000	120,000,000	68,904,000	68,904,000
Total	**1,619,210,993**	**1,529,210,993**	**220,518,231**	**218,718,231**
At the beginning of the half-year	**1,529,210,993**	**1,078,468,528**	**218,718,231**	**208,385,358**
Shares issued as loan repayment	-	40,380,000	-	1,049,880
Shares placement	-	218,860,000	-	4,490,360
Shares issued as consideration for acquisition of MCC Resources SARLU	-	100,000,000	-	1,900,000
Shares issued as professional service on acquisition MCC	-	5,000,000	-	95,000
Shares issued in lieu of cash remuneration for directors	-	18,203,905	-	764,564
Shares issued in lieu of cash remuneration for senior employees (Note 9)	10,000,000	5,440,287	200,000	132,743
Shares issued in lieu of payment for services (Note 9)	80,000,000	358,273	1,600,000	7,883
Shares issued to directors as reward and incentive	-	61,500,000	-	1,906,500
Shares issued to senior employees as reward and incentive	-	1,000,000	-	31,000
Capital raising costs	-	-	-	(45,057)
At end of the financial half-year	**1,619,210,993**	**1,529,210,993**	**220,518,231**	**218,718,231**

(i) Treasury shares include 120,000,000 shares required to be issued under a consultancy agreement with Celaric for its assistance in the acquisition of the Batys Kali assets. The value ascribed to these shares is the fair value of the consultancy services provided. The treasury shares to Celaric were issued on 4 March 2014 and are held in Voluntary Escrow. During the period of Voluntary Escrow, the shares will have no voting rights (subject to any required approval from the ASX) or the holder or holders of the shares will be restricted from exercising any voting rights attaching to them. On the release from Voluntary Escrow, the shares will have the same rights as all other issued shares in KPC, including voting rights. If the potash resources at Chelkar are less than 1 billion tonnes, then the shares to be released from Voluntary Escrow to Celaric will be reduced in proportion to the amount of resources reported. Any Celaric Shares not released from Voluntary Escrow are to be returned to KPC for zero consideration pursuant to a selective Share buy-back or capital reduction or otherwise cancelled, subject to compliance with the Corporations Act.

8. CONTIGENT LIABILITIES

The Group's contingent liabilities have not changed materially from those disclosed in the annual report for the year ended 31 December 2018.

9. SHARE-BASED PAYMENTS

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Share-based payments for consultant services performed

On 24 March 2019 KPC entered into a Consulting Agreement, for the purpose of preparing a solution trial mining plan for the potash deposit owned by KPC. The Consultant was engaged by KPC to perform work and render services in connection with providing mining property technical consultancy services in consultation with KPC. 80,000,000 KPC Ordinary Shares were issued to the Consultant on 25 March 2019 as consideration for the technical consultancy services. The number of shares to be granted is determined based on the fair value of the services divided by the closing share price on the grant date, which was determined in the agreement between KPC and the consultant.

Shared-based payments for reward and incentives to senior employees

On 25 March 2019, 10,000,000 shares were issued at an issue price of $0.02 to senior employees as reward and incentive in recognition of the outstanding work undertaken by them in the operations of KPC. The shares are recognised at the closing price of $0.02 on the grant date (grant date fair value) as an issue of share capital and as part of employee expenses in the period the shares were granted.

10. EVENTS AFTER THE REPORTING PERIOD

KPC is in the process of finalising the final payments for the Satimola transaction and expects completion to occur before June 2020 when the third tranche payment is made. Between November – December 2018 a Rights Issue has commenced under the Satimola Limited terms of the Memorandum and Articles of Association. The Rights Issue was seeking to raise US$580,618 via the issue of 29,030,880 shares on the basis of ten additional shares for every one currently held with the price at US$0.02/share for each new share. In January 2020, the share allocation from the Rights Issue was completed and registered with the British Virgin Islands registry where Satimola Limited is domiciled. At the conclusion of the Rights Issue KPC Fortis Fertilizer Limited (a 100% owned subsidiary of KPC) was the only participant. At the conclusion of the Rights Issue the share capital owned by KPC Fortis Fertilizer Limited equated to 96%.

On 5 December 2019, revised terms in relation to the CAR Fund $30 million Convertible Notes were agreed between the CAR Fund and KPC, with a Term Sheet executed by both parties. Under the terms of the new agreement the CAR Fund, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes in lieu of interest and for agreeing to enter into the new Convertible Note for a four-year period, the CAR Fund (or its nominee) will be issued 1.5 billion fully paid ordinary shares in the Company. The agreement is subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course.

10. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On 26 December 2019, KPC sold its interest in its joint venture in Chongqing Bright Road Industrial Co Ltd that it had with Chongqing Material of Agricultural Production (Group) Co Ltd (CMAG). As announced to the market on 23 August 2016, the Company entered into a joint venture with CMAG to develop a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China. The Board determined that KPC should focus its efforts on its potash projects in Kazakhstan and therefore reached agreement to sell its interest in the joint venture. Under the terms of the agreement the transaction was for $1.5 million payable in two tranches. The first tranche of $150,000 was received in March 2020. The balance is due 30 September 2020.

On 15 February 2020, KPC executed two Convertible Note agreements totaling $10 million. The first Convertible Note is for $6.5 million with the CWSI Group Limited (CWSI). The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement CWSI, or its nominee, can convert the Convertible

Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, CWSI (or its nominee) will be issued 325 million fully paid ordinary shares in the Company. Under the terms of the agreement, KPC can, on request, draw down against the $6.5 million. To date, KPC has drawn down $6.5 million which has been used to settle liabilities on the Kazakhstan projects, payments in relation to the Satimola Limited transaction and general working capital.

The second Convertible Note agreement is with Harvest Leader International Limited (HLI) for $3.5 million. The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement, HLI also agrees to make available funds up to $3.5 million to the Company on application which has not been drawn down on to date. HLI, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, HLI (or its nominee) will be issued 175 million fully paid ordinary shares in the Company. The balance of funding from both Convertible Notes will be used for general working capital.

Both Convertible Notes are subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting scheduled for 18 May 2020.

The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact the planned development activities for the Kazakhstan Projects. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present

Director's declaration

For the half-year ended 30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Madam Freada Cheung
Chairperson and Managing Director

13 May 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kazakhstan Potash Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kazakhstan Potash Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether,

on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

James Mooney
Director

Melbourne, 13 May 2020